

Louisiana Housing Trust Fund Frequently Asked Questions #5

- Question: East St. Tammany Habitat for Humanity has a partnership with major developer Skanska Builders. They are an international builder located in Sweden and with several offices across the U.S. We have a particular tie to the Tampa office. They have access to a project management team, including architects that have access to our plans. Could this team be our unrelated third party completing the Development Hard Costs-Itemized Cost Listing of the grant? For clarification, they are NOT our design architect-they simply assist us with itemized take off lists.
- Response: Item #16 in the Threshold requirements mandates that “**itemized** cost estimates from an **unrelated third party** are required to substantiate the construction costs.” Since Habitat has a “partnership” with the firm, Skanska Builders will not be deemed such an unrelated third party. Under the circumstances, the Agency recommends that your design architect or another architect associated with Shanska Builders provide the cost estimates.
- Question: On the Sources and Uses page of the application, when “Other Sources Needed to Balance” is zero, the points on the Competitive Review are lower than if we have a surplus of funding. Our thought is that if we truly need LHFA funding to support our projects, we would receive more points than if we had a surplus of funding and LHFA funds would just be a supplement. Can you clarify this for us?
- Response: The LHTF Funds returned to the Agency as surplus shown on the Homeownership Subsidies spreadsheet is a tool to enable Applicants to clearly see the excess of LHTF Funds being requested for a project. Applicants are advised to request only an amount of LHTF Funds as may be needed for development and sale of a housing unit and to minimize Development Subsidies and Affordability Subsidies. By requesting more LHTF Funds than are required for both the Development Subsidy and the Affordability Subsidy, an Applicant is causing such excess funds to be used in connection with a Project that does not require such LHTF Funds and thereby cause another project applying for such funds to go unfunded. Staff considered the scoring methodology and concluded that projects would be scored on the basis of LHTF Funds requested and not on the basis of LHTF Funds reduced by such surplus following the transfer of a completed housing unit to a qualified purchaser.

- Question: Why would a project showing a funding shortfall in excess of the LHFA request score higher than one whose sources and uses balance out?
- Response: The leveraging points are based upon the requested LHTF Funds as a percentage of Total Funds. Applicants are not given any benefit for requesting more LHTF funds up front in which a portion of such LHTF Funds will be returned when a homeownership unit is sold to a qualified purchaser. Looked at in another way, the question may well be raised whether two identical projects requesting different amounts of LHTF funds should be treated the same when one shows no excess LHTF Funds and the other shows excess Funds.
- Question: On the "Loan Information" tab in the Homeownership Application, the excel sheet asks for loan information for a first mortgage. We do not have a mortgage on these lots at all. If the board funds our project, we will obtain interim financing to build and the homebuyer will obtain permanent financing through a conventional mortgage. What do I put on this page of the excel sheet since I, the developer, will not get a first mortgage on my lots? My interim loan amount won't be determined until a decision is made by LHTF.
- Response: Insert the estimated aggregate amount mortgages to be obtained by all homebuyers.
- Question: Can the buyer's contribution be paid with AHP funding through the Federal Home Loan Bank?
- Response: Yes
- Question: In pursuing the Homeownership Subsidies Market Based approach, Section "D, Financing Terms, Affordability," mentions that the buyer must contribute a minimum of \$500 in the form of gift, cash or sweat equity. In the application's spreadsheet a "minimum cash from purchaser" (Line I) is calculating the buyer's contribution as the greater of \$500 or 5% of the sales price, which will be substantial for low wealth families if calculated at 5%. The 5% requirement is not mentioned in the Guidelines under the Financing Terms-Affordability.
- Response: The \$500 represents a "minimum" contribution from a borrower; however, the Guidelines limit the 1st mortgage to 95% of the appraised value. Therefore, the borrower is required to contribute the greater of \$500 or 5% of the appraised value.

- Question: On page 14 (section 9c) of the guidelines, it states that the total permanent financing must equal the total project cost at the time of application. If this is the case, would we still need Housing Trust Funds?
- Response: Yes, (i) If the cost based development subsidy is selected or (ii) if a development or affordability subsidy will be required in connection with market based developments. No, if project is not cost based and no development or affordability subsidy will be required in connection with market based developments.
- Question: Why isn't cell F52 or F26 included in the general requirements and other costs calculations under the rehab tab? As a result, by developer's fee, builder overhead and builder profit limits are not taken into consideration because I do not have a breakout of cost for HVAC, doors and windows etc.
- Response: F52 is simply a summation cell and should not be included as all the hard costs are already picked up. The F26 bug was fixed in version 5.2. However, the applicant can still enter the appropriate developer fee in earlier versions but will have to explain the resulting flag in the comment box.
- Question: The guideline state that "Funds used as a development subsidy are considered to be a loan but will be forgiven if the project is completed as described in the application?" So is the development subsidy also a forgivable loan and what does this statement mean? Can there be no change or do we meet the criteria as long as the units are completed?
- Response: A development subsidy will be provided only if a unit is completed and sold to a qualified purchaser. Until the unit is purchased, the LHTF Funds remain available to an Applicant in the form of a loan.
- Question: Referencing Section D "Financing Terms" and Section F "Determining Development Subsidy and Affordability Subsidies" pages 29, 30 and 31: Where is the mortgage-financing component? Will we be permitted to provide the mortgage financing through our subsidiary, Southern Mutual Financial Services who generally sells the loans to Iberia Bank on the secondary market. In addition, on page 60, in the illustration in Section F (1), how did you determine the \$60,000 Buyer's First Mortgage amount (that includes the \$500 contribution) and who was the lender of the \$59, 500 (\$500 – contribution)?

Response: The mortgage-financing component in connection with the market based subsidy is the “Highest Affordable First Mortgage Loan” in Line N. In connection with the cost based subsidy, the mortgage financing component is the “Sales Price” in Line V. In the cost based subsidy model, the Applicant must hold and service the First Mortgage Loan. The example in the Guidelines illustrates how the market subsidy and the cost subsidy operate; however, the electronic model automatically directs the manner in which each subsidy is to be calculated depending upon the subsidy used for a housing unit.

Question: Referencing item #12 “Architectural Submissions”, subsection (e), it states that all projects should submit, “Contractor/Architect Certification (i) Certification that the unit configuration by bedroom size and square footage by bedroom size is consistent with the configuration on the project’s application, and (ii) that projects with four or more units as completed complies with Fair Housing Accessibility Guidelines. On Page 34 “Readiness to Proceed”, it states “Projects with Complete Architectural Drawings and Specifications. Our building review process in southwest Louisiana is still grappling with the new building codes. As such, the building permit process has a cost of approximately \$3000 associated with each plan review i.e., architect develops and certifies the plan that is then reviewed and certified by an engineer and then presented to the Parish’s permit section. **Due to time constraints, we are not able to change our certified plans to include the “green build” components that will be added to the plans before actual construction. Will you allow us the flexibility to change the plans after your review?**

Response: Yes, as long as preliminary plans and specs are delivered in accordance with the Guidelines’ requirement for Architectural Submissions on page 1.

Question: Do we have to have each applicant identified and approved prior to submitting the application?

Response: No. The Agency strongly encourages the identification of prospective purchasers but remember that the Guidelines require each purchaser to complete homebuyer counseling which must be documented prior to the transfer of a housing unit to such purchaser.

Question: Is the "Homeownership Subsidies" from the Excel application to be included in the binder? If so, where?

Response: The Guidelines on page 10 requires a complete diskette to be submitted along with the original paper Application with original signatures.

Question: Is the "Features and Amenities" listed on the checklist the same as the "Eligibility" page, as the Eligibility page lists the amenities features/required for each house, and/or strictly for handicapped accessible units?

Response: Yes

Question: Appendix 7, Financing Commitments - we have some grant money we will use for some of the matching funding, but will not be making a loan for our projects. What documentation do we need for this appendix?

Response: Submit Grant documentation referencing source of Grant.

Question: Appendix 13, Certification Regarding Debarment – we do not debar our sub-contractors. If their work is not up to our standards, we simply do not use them again. What documentation do we use for this appendix?

Response: Use Form from Tax Credit Application.

Question: Appendix 16 - what is required as evidence of energy efficiency as far as the actual construction is concerned? Would a letter from Whirlpool about the appliances they donate be sufficient? Would a list of energy efficient building materials/items be okay?

Response: The LHFA recommends that the architect or other independent third party represent and/or certify as to the energy efficiency of materials and other elements of the project.

Question: Is there a specific format for the Contractor/Architect Certification?

Response: Please use the "Estimate and Certification of Cost" that is part of the Tax Credit Application.

Question: If the contractor is TBD via a bid process, do we need to id one on the application or can we just put TBD?

Response: Contractor does not need to be identified so long as Architect certifies the reasonableness of the construction costs.

Question: If there is no identity of interest, is it necessary to include a statement saying that there is none?

Response: Yes

Question: Is the Capital Needs Assessment the same thing as the Detailed Scope of work?

Response: A Capital Needs Assessment relates to existing projects undergoing substantial rehabilitation and is to be used to establish the scope of work for rehab projects.

Question: When asking for a description of amenities, does this pertain to amenities on-site or in the neighborhood or both?

Response: On-Site

Question: When asking for a description of Community Facilities, does this pertain to on-site, in the neighborhood or both?

Response: On-Site

Question: What evidence should be provided for minimum internet/cable?

Response: Architect Certification.

Question: What evidence suffices to demonstrate that the developer is a Louisiana developer?

Response: Developer's office located in Louisiana should be evidenced by certificate of good standing from Louisiana Secretary of State or copy of LLC articles under Louisiana law and business address in the State of Louisiana.

Question: Is the HUD Reconciliation Agreement a Form? If so, can it found on the HUD website? What about the Certification regarding Debarment and the Matching Certification? Are these forms as well?

Response: HUD Reconciliation Agreement must be executed by HUD and can only be obtained directly from HUD. The Agreement varies in accordance with the nature of the fair housing violation. You may use the form in the tax credit application.

Question: Is the Affirmative Fair Housing Marketing Plan required for the Single Family Homeownership Application? This plan is designed to market rental properties-most homeownership programs, such as Habitat, have already identified their purchasers.

Response: The guidelines do not distinguish between Rental and Homeownership. Since this is a Threshold requirement it is required unless a waiver is requested and granted.

Question: Is there a standard deed restriction that LHFA requires?

Response: The deed restriction will be developed within the next 30 to 60 days.

Question: Can applicants use the value of items purchases or donated in prior years on the Matching Sources page of the application such as building materials, etc?

Response: Yes, provided that there is evidence as to its value for purposes of match.

Question: The application calls for a diskette to be submitted along with the hard copy-we assume a CD is acceptable.

Response: Yes

Question: On the Homeownership Subsidy, the affordability cells automatically populate even though that is not applicable to cost based subsidy. Should these numbers be disregarded?

Response: Yes, However, there is no rule against having market based and cost based in the same project.

Question: Tab 3 on the checklist is “Features and Amenities” but there is no spreadsheet with this name. The third spreadsheet is the “Eligibility” Sheet. Is the “Eligibility” Sheet supposed to be behind Tab 3? If not, where do we put the “Eligibility” Sheet and what goes behind Tab 3?

Response: Appendix 10 is where an applicant must attach a description of all amenities.

Question: Tab 4 on the checklist is “Types of Housing.” In the application the “Homeownership Subsidies” Sheet is inserted between the “Eligibility” Sheet and the “Type of Housing” Sheet but it is not listed in the checklist. Should it be included under Tab 4 for “Types of Housing”?

Response: Homeownership subsidies must be submitted behind Tab 5.

Question: There is no Tab number for “Threshold Requirements” – Is this supposed to be included in the notebook?

Response: No, the Threshold Spreadsheet is included in the electronic application but is simply a reference to other Tabs or Appendices to show where the “Threshold Requirements” are located.

Question: On the “Homeownership Subsidies” Sheet, line N says “See Step C in “Project Summary.” Where is “Project Summary” located? Is it supposed to be a separate document posted to the website or is it in one of the posted documents?

Response: This was changed in the newer version. The “Project Summary” is currently located at the “Homeownership Assistance” Worksheet. Double click and it will open.

Question: Is there a standard for the value of donated items?

Response: The donated item should be valued at the same amount you would have had to pay if you had purchased the item.

Question: Are the appendices supposed to be tabbed individually (Appendix 1, Appendix 2, etc.)?

Response: Tab each appendix individually Appendix 1, Appendix 2, etc.

Question: What formats are acceptable for copying application for submission – CD, jump drive?

Response: Both are acceptable.

Question: Where do you input architectural fees already paid on the application? Can applicant be reimbursed for fees already paid – or would these be considered part of the applicant’s match?

Response: These can be put in “Other” on the “Matching Sources” sheet if to be used as part of the match.

Question: In cases where the land is already owned by the applicant, there is no “land owned” in the drop down box on the Threshold Sheet. Does “executed land contract” mean executed act of sale/executed act of donation?

Response: Yes.

Question: Are projects that have already begun eligible for funding, if the amount expended does not exceed the applicant’s match?

Response: Yes.

Question: On the eligibility sheet, line 22, can another entity be substituted for the PHA – such as the Office of Community Development or other city or parish official, i.e. mayor, president?

Response: The Office of Community Development is a public housing authority and can be substituted. PHA’s are specified in the Guidelines as being eligible.

Question: Can homebuyer sweat equity qualify for the \$500 down payment on the Eligibility sheet, line 39?

Response: Yes.

Question: In reference to the above question, what documentation will suffice for compliance?

Response: Documentation may be certification from the construction manager as to the value of the sweat equity.

Question: Is a Phase I environmental review always required? Will a statutory checklist by a parish official suffice?

Response: According to the Guidelines, the answer is yes. The Guidelines require a Phase I by “a qualified, licensed environmental review firm.”

Question: How will the draws be structured?

Response: Draws will be approved based upon percentage of work completed with no more than one draw requested per month.

Question: Will city/parish building department periodic inspections suffice for draws to be authorized?

Response: The LHFA prefers an independent inspector that may certify percentage of construction completion which may be the projects’ architect or, if qualified and accustomed to certifying percentage completions, a parish building department inspector.

Question: How will the compliance be monitored regarding AMI% for the homebuyers? (This is important to make certain that processes are in place at the applicant agencies to assure they will have the correct documentation for compliance.)

Response: The LHFA will supervise all sales and will require each purchaser to complete the Homeownership Assistance Worksheet that is included in the electronic application.